

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

WEST MCCrackEN WATER DISTRICT APPLICATION)
FOR (1) GENERAL RATE DECREASE (2) REFUND) CASE NO. 95-588
TO CUSTOMERS)

O R D E R

IT IS ORDERED that West McCracken Water District ("West McCracken") shall file the original and 12 copies of the following information with the Commission with a copy to all parties of record no later than 15 days from the date of this Order. West McCracken shall furnish with each response the name of the witness who will be available at the public hearing to respond to questions concerning each item of information requested.

1. Compare the billing analysis in Case No. 94-450¹ to the billing analysis in Case No. 95-588, and provide an explanation for the following differences in usage amounts. Provide account names and numbers where possible.

a. Covering the 11 months at the prior rate schedule for 5/8 inch connections the analysis in Case No. 94-450 shows 767,680 gallons sold in the next 400,000 gallon increment. The analysis in Case No. 95-588 shows 4,648,620 gallons sold in this increment. What customer(s) caused this increase?

¹ Case No. 94-450, The Application of West McCracken County Water District for (1) General Rate Increase, (2) Revision of Tariffs, (3) Approval of Surcharge, and (4) Request for Approval of Variance on Financial Data.

b. The analysis in Case No. 94-450 shows 0 usage for the over 500,000 gallon increment, and in Case No. 95-588 1,751,150 gallons are shown as sold in the same increment. What customer(s) caused this increase?

c. The one inch connections in the billing analysis for Case No. 94-450 shows 60 bills and 681,010 gallons sold while the analysis for Case No. 95-588 shows 44 bills and 1,090,970 gallons sold. Information filed in this case shows three customers with a one inch connection. Explain these differences in number of bills and usage.

d. The two inch connections in the analysis for Case No. 94-450 shows 455,820 gallons sold and in Case No. 95-588 1,063,320 gallons sold. What customer(s) caused this increase?

e. The three inch connections in the analysis for Case No. 94-450 shows 24 bills rendered and 15,427,602 gallons sold, and the analysis in Case No. 95-588 shows 24 bills rendered and 25,539,300 gallons sold. What customer(s) caused this increase?

f. The four inch connections in the analysis for Case No. 94-450 shows 6,776,000 gallons sold and in Case No. 95-588 the analysis shows 1,886,000 gallons sold. What customer(s) caused this decrease?

2. In West McCracken's application a section titled "Notes" refers to two, 2-inch meters. What information was supplied by the customers to determine their usage?

3. Minimum bills, which allow for a certain usage amount, were replaced in Case No. 94-450 by a customer charge. Why are mobile home parks not charged a customer charge?

4. With regard to Lockheed Martin:

a. Is Lockheed Martin also known as Martin Marietta?

b. Explain the district's arrangement with Lockheed Martin to pay the water bill for approximately 100 5/8 inch connections. Has this arrangement been approved by the Commission? When did the arrangement occur? Provide copies of all agreements with Lockheed Martin.

c. Do these customers have individual meters? If so, are the meters maintained by the district?

d. Is Lockheed Martin served by a master meter? If so, what size is the meter?

e. How is the monthly water bill for these customers calculated?

f. Where in the billing analysis is Lockheed Martin's usage shown?

5. Provide a detailed job description for each employee and their annual salary.

6. Refer to Table 5 of the application.

a. Provide the district's justification for basing total depreciation allocated to the customer charge on the percentage of meters, services and hydrants to total depreciation.

b. Provide any studies used in support of this methodology.

c. Does the depreciation allocated to the customer charge include total depreciation on meters, hydrants and services? Explain.

7. In West McCracken's rate analysis in this case, what is the amount of debt service allocated to the customer charge? Explain.

8. In West McCracken's rate analysis in this case, what is the amount of plant value allocated to the customer charge? Explain.

9. Refer to the district's response to Item 1 of the Commission's February 20, 1996 Order. In the minutes dated January 10, 1996, a notation was made regarding the discontinuance of health insurance with the John Alden Company. Is a health insurance policy currently in effect for district employees? If yes, is \$551.37 the correct monthly premium for this coverage (as shown in Attachment 12)?

10. Refer to West McCracken's response to Item 7(b) of the Commission's February 20, 1996 Order. Explain how West McCracken determined that the invoices listed were items that should be capitalized instead of being recorded as maintenance and repair expenses.

11. Refer to West McCracken's response to Item 8(a) of the Commission's February 20, 1996 Order. Provide a detailed schedule, including vendor, date and amount of invoice, date and amount paid, and description of expense for each capitalized item that was excluded from test-year operation and maintenance expenses.

Indicate those items which were capitalized by the district's auditors.

12. Refer to West McCracken's response to Item 8(c) of the Commission's February 20, 1996 Order. Explain the derivation of the opening account balance of \$266.

13. Refer to West McCracken's response to Item 9 of the Commission's February 20, 1996 Order. Based on the bank statements submitted as Attachment 8, West McCracken's interest income for the test year was \$284.76 from account 000-1353-6 and \$1,754.27 from account 031-2607-2, or a total of \$2,039.03. Reconcile this amount with the interest income of \$1,601 shown on Table I of the application.

14. Identify the bank account (by name and number) that monies for each of the following accounts are deposited to: meter deposits, depreciation, bond, customer escrow, operation and maintenance reserve, and operation and maintenance.

15. Refer to West McCracken's response to Item 10 of the Commission's February 20, 1996 Order. Provide a summary schedule showing the sources of income which make up test-year other income of \$5,428.

16. Refer to West McCracken's response to Item 16 of the Commission's February 20, 1996 Order. Indicate any portions of test-year professional expenses which are related to rate case expense and specify the rate case to which each expense applies.

17. Refer to West McCracken's response to Item 17 of the Commission's February 20, 1996 Order. Indicate which rate case the

expenses apply to and provide a schedule of any expenses included on the invoices which are not rate case expenses.

18. Refer to West McCracken's response to Item 19(a) of the Commission's February 20, 1996 Order. Reconcile the expenses listed in Attachment 17, totaling \$3,926.45, with test-year expense of \$3,616. Explain why this expense should be excluded for rate-making purposes when a date to eliminate the expense has not been determined.

19. Refer to West McCracken's response to Item 19(d) of the Commission's February 20, 1996 Order. State the date the salaries listed in Attachment 11 became effective.

20. Provide copies of invoices to renew insurance policies that the district has received subsequent to the test year.

21. Refer to West McCracken's response to Item 20 of the Commission's February 20, 1996 Order. Provide a schedule showing the portion of the \$150,000 note with Peoples First Bank that has been drawn to date, any interest payments that have been made to date and any principal payments that have been made to date. Provide an amortization schedule showing the amounts and dates on which the district intends to make its principal and interest payments.

22. Refer to West McCracken's response to Item 22 of the Commission's February 20, 1996 Order. The rates established in Case No. 94-450 were based on a reasonable level of expenses which were adjusted for items that the district felt were necessary to operate efficiently, such as a new truck.

a. Explain which expenses are being limited at this time and why.

b. Are expenses being limited to allow the district excess funds to be escrowed to the refund account?

c. Provide the district's basis for the claim it is overearning with specific reference to whether sufficient funds exist to meet normal or reasonable operations and maintenance expenses.

d. Were expenses limited during the test year? If yes, describe the adjustments that should be made to reflect a reasonable level of expense.

23. Provide a copy of West McCracken's bond ordinance.

24. Provide a schedule showing monthly balances for the depreciation and the operation & maintenance reserve bank accounts from July 1995 to the present.

25. Refer to West McCracken's response to Item 23(c) of the Commission's February 20, 1996 Order. Explain how West McCracken determines how much revenue from water sales should be used toward financing construction and how much is simply excess revenue.

26. Refer to West McCracken's response to Item 23(d) of the Commission's February 20, 1996 Order. The final Order issued in Case No. 94-450 approved a surcharge of \$.47 per 1,000 gallons of water sold, to be used to finance the following construction projects:

1. Cunningham & Palestine School Roads	\$ 145,000
2. Woodville Road (east)	40,000

3.	Replacement of old lines	100,000
4.	PRV's, pump and chlorinator	50,000
5.	Kelly, Magruder & Woodville Roads	200,000
6.	Hinkleville and West Airport Roads	150,000
7.	U.S. 60 and Steele Road	200,000
8.	L. Harris, McKendree Church, and Highway 286	<u>650,000</u>
		<u>\$1,535,000</u>

Given the statement that West McCracken does not anticipate sufficient revenue to construct all items on this list within 5 years:

a. Specify which projects you anticipate constructing or beginning construction on within the 5-year surcharge period.

b. Provide a schedule showing the amount of revenue, by source, the district anticipates accumulating to finance these projects. Specifically reference surcharge revenues, depreciation fund monies and additional operating revenues.

c. If the district is accumulating more revenue than it needs to meet its operating expenses, explain why it would not be more appropriate to terminate the surcharge rather than decrease water rates.

27. Provide a copy of the auditor's summary of accounts used, in lieu of a trial balance, to establish a beginning basis for the September 30, 1995 income statement.

28. Refer to West McCracken's response to Item 27 of the Commission's February 20, 1996 Order. Were the adjusting journal entries, included in Attachment 26, made for the period ending 9-30-95 or 12-31-95?

29. Refer to the Statement of Operations and Retained Earnings on page 3 of Attachment 24 included in West McCracken's response to Item 25 of the Commission's February 20, 1996 Order. Provide a schedule of West McCracken's maintenance and telemetering accounts showing 1994 expense before adjustments, the amount of salary expense in each account, and the amount capitalized from each account (broken down by salaries and other). Reference the adjusting journal entry in Attachment 25 which shows the capitalization of these expenses.

30. Describe West McCracken's policy with regard to travel expense reimbursement and allowed expenses such as meals, beverages, phone charges, etc.

31. Describe West McCracken's policy with regard to charitable contributions.

32. Describe West McCracken's policy with regard to petty cash.

33. Refer to Attachment 16 of West McCracken's response to the Commission's February 20, 1996 Order. Explain what the caps purchased from the Shirt Shack at a cost of \$161.25 were used for.

Done at Frankfort, Kentucky, this 18th day of April, 1996.

By the Commission

ATTEST:


Executive Director

28. Refer to West McCracken's response to Item 27 of the Commission's February 20, 1996 Order. Were the adjusting journal entries, included in Attachment 26, made for the period ending 9-30-95 or 12-31-95?

29. Refer to the Statement of Operations and Retained Earnings on page 3 of Attachment 24 included in West McCracken's response to Item 25 of the Commission's February 20, 1996 Order. Provide a schedule of West McCracken's maintenance and telemetering accounts showing 1994 expense before adjustments, the amount of salary expense in each account, and the amount capitalized from each account (broken down by salaries and other). Reference the adjusting journal entry in Attachment 25 which shows the capitalization of these expenses.

30. Describe West McCracken's policy with regard to travel expense reimbursement and allowed expenses such as meals, beverages, phone charges, etc.

31. Describe West McCracken's policy with regard to charitable contributions.

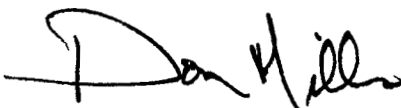
32. Describe West McCracken's policy with regard to petty cash.

33. Refer to Attachment 16 of West McCracken's response to the Commission's February 20, 1996 Order. Explain what the caps purchased from the Shirt Shack at a cost of \$161.25 were used for.

Done at Frankfort, Kentucky, this 18th day of April, 1996.

ATTEST:

PUBLIC SERVICE COMMISSION



Executive Director


For the Commission